

*City of Wayland*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2008*

---

## CONTENTS

---

	<i>Page</i>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	i - viii
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Statement of net assets - proprietary funds	10
Statement of revenues, expenses, and changes in fund net assets - proprietary funds	11
Statement of cash flows - proprietary funds	12 - 13
Notes to financial statements	14 - 26
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule:	
General Fund	27 - 28
Community Building and Park Improvement Fund	29
Schedule of funding progress - Employee Retirement System	30
<b>SUPPLEMENTARY INFORMATION</b>	
Combining balance sheet - nonmajor governmental funds	31
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	32

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*City of Wayland*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Our discussion and analysis of the City of Wayland's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The City's total net assets decreased by \$53,193 (less than 1 percent) as a result of this year's activities. Net assets of the governmental activities decreased by \$72,171 and net assets of the business-type activities increased by \$18,978.
- Of the \$11,155,054 total net assets reported, \$588,667 (5 percent) is unrestricted, or available to be used at the Council's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$310,053, which represents 16 percent of the actual total General Fund expenditures for the current fiscal year.

### **Overview of the financial statements**

The City's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
  - Governmental fund statements explain how general government services, like public safety, were financed in the short-term, as well as what balance remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### **Government-wide financial statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component unit* - The City includes one other entity in its report - the Wayland Downtown Development Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

### **Fund financial statements**

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like Community Building and Park and Special Road operations) or to show that it is properly using certain taxes and other revenues (like property taxes collected by the county for the roads and motor fuel taxes collected for the street funds).

The City has three kinds of funds:

1. *Governmental funds*. Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

2. *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- The City uses internal service funds (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund is an Equipment Fund.

3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$11,155,054, a decrease of 0.5 percent compared to the prior year. Of this total, \$9,603,549 is invested in capital assets, net of related debt, and \$962,838 is restricted for various purposes. Consequently, unrestricted net assets were \$588,667, or 5 percent of the total.

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 1,617,017	\$ 1,440,894	\$ 131,963	\$ 209,707	\$ 1,748,980	\$ 1,650,601
Capital assets	<u>8,375,191</u>	<u>8,824,792</u>	<u>5,412,146</u>	<u>5,594,824</u>	<u>13,787,337</u>	<u>14,419,616</u>
Total assets	<u>9,992,208</u>	<u>10,265,686</u>	<u>5,544,109</u>	<u>5,804,531</u>	<u>15,536,317</u>	<u>16,070,217</u>
Long-term debt	1,461,628	1,593,942	2,722,160	3,010,107	4,183,788	4,604,049
Other liabilities	<u>129,103</u>	<u>198,096</u>	<u>68,372</u>	<u>59,825</u>	<u>197,475</u>	<u>257,921</u>
Total liabilities	<u>1,590,731</u>	<u>1,792,038</u>	<u>2,790,532</u>	<u>3,069,932</u>	<u>4,381,263</u>	<u>4,861,970</u>
Net assets:						
Invested in capital assets, net of related debt	6,913,563	7,230,850	2,689,986	2,612,802	9,603,549	9,843,652
Restricted	<u>962,838</u>	<u>1,058,207</u>	-	-	<u>962,838</u>	<u>1,058,207</u>
Unrestricted	<u>525,076</u>	<u>184,591</u>	<u>63,591</u>	<u>121,797</u>	<u>588,667</u>	<u>306,388</u>
Total net assets	<u>\$ 8,401,477</u>	<u>\$ 8,473,648</u>	<u>\$ 2,753,577</u>	<u>\$ 2,734,599</u>	<u>\$ 11,155,054</u>	<u>\$ 11,208,247</u>

**City of Wayland**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

**Changes in net assets.** The City's total revenues are \$3,590,286. Nearly 40 percent of the City's revenues come from property taxes and another 30 percent come from charges for services. Only 11 percent of the total revenues come from state shared revenue.

The total cost of all the City's programs, covering a wide range of services, totaled \$3,643,479. More than 35 percent of the City's costs relate to the public works function and 26 percent relate to the provision of utility services. Public safety costs account for nearly 24 percent of the costs and general government costs account for 10 percent of the City's total costs.

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	\$ 119,551	\$ 182,728	\$ 957,461	\$ 901,429	\$ 1,077,012	\$ 1,084,157
Operating grants and contributions	534,720	511,691	-	-	534,720	511,691
Capital grants and contributions	11,630	276,088	25,556	509,625	37,186	785,713
General revenues:						
Property taxes	1,432,267	1,326,452	-	-	1,432,267	1,326,452
State shared revenue	386,016	387,401	-	-	386,016	387,401
Unrestricted interest income	80,201	90,638	-	17,771	80,201	108,409
Franchise fees	29,697	27,818	5,821	-	35,518	27,818
Other	7,366	90,933	-	-	7,366	90,933
Total revenues	<u>2,601,448</u>	<u>2,893,749</u>	<u>988,838</u>	<u>1,428,825</u>	<u>3,590,286</u>	<u>4,322,574</u>
Expenses:						
Legislative	13,557	17,274	-	-	13,557	17,274
General government	375,783	482,996	-	-	375,783	482,996
Public safety	866,116	977,495	-	-	866,116	977,495
Public works	1,292,783	1,264,292	-	-	1,292,783	1,264,292
Community and economic development	64,823	48,984	-	-	64,823	48,984
Health and welfare	6,000	6,000	-	-	6,000	6,000
Recreation and culture	22,393	4,968	-	-	22,393	4,968
Interest	32,164	44,191	-	-	32,164	44,191
Sewer	-	-	555,149	547,762	555,149	547,762
Water	-	-	414,711	363,197	414,711	363,197
Total expenses	<u>2,673,619</u>	<u>2,846,200</u>	<u>969,860</u>	<u>910,959</u>	<u>3,643,479</u>	<u>3,757,159</u>
Increase (decrease) in net assets	<u>\$ (72,171)</u>	<u>\$ 47,549</u>	<u>\$ 18,978</u>	<u>\$ 517,866</u>	<u>\$ (53,193)</u>	<u>\$ 565,415</u>

**Governmental activities.** Governmental activities decreased the City's net assets by \$72,171 compared to a \$47,549 increase in the prior year. Expenses decreased by nearly \$170,000 in the current year due to efforts to control costs as evidenced by decreases in virtually every governmental function. The most significant costs reductions occurred relative to general administration (\$49,000), the Police Department (36,000), and the Fire Department (\$55,000). However, revenues decreased by nearly \$300,000. A \$206,000 state grant that financed street improvements and a \$91,000 gain on the sale of land were included in revenues in the prior year. Net assets increased in the prior year due to the recognition of these two revenues. Net assets decreased in the current year because the decrease in revenues exceeded the decrease in expenses.

The cost of all governmental activities this year was \$2,668,464. After subtracting the direct charges to those who directly benefited from the programs (\$119,551), and operating and capital grants (\$546,350), the "public benefit" portion to be covered by property taxes, state shared revenue, and other general revenues was \$2,002,563.

**Business-type activities.** Business-type activities increased the City's net assets by \$18,978 compared to a \$517,866 increase in the prior year. Connection fees amounted to \$509,625 in the prior year while they were only \$25,556 in the current year.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

**Governmental funds.** As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,356,204, an increase of \$174,673 in comparison with the prior year. Of the total fund balances, 96 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for collections of long-term receivables (\$47,963).

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unreserved fund balance was \$310,053, which represents 16 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance increased by \$272,782 even though revenues remained stagnant. The fund balance increased because two significant costs were lower in the current year. Capital outlay costs were lower as the City invested more than \$140,000 in improvements to the City Hall in the prior year and equipment rental costs decreased by nearly \$134,000.

The Community Building and Park Fund experienced a decrease in fund balance of \$1,182 as current year costs exceeded interest earnings on the funds bank deposit.

**Proprietary funds.** The Sewer Fund experienced an increase in net assets of \$1,878. Total net assets are \$1,871,495 at year end of which \$130,257 is unrestricted.

The Water Fund experienced an increase in net assets of \$11,945. The increase was primarily the result of the recognition of connection fees in the amount of \$15,093. Total net assets are \$952,183 at year end of which \$3,435 is unrestricted.

Net assets increased in both funds due to efforts to increase billing rates to the point where operating costs and interest expense is covered by user charges. Both funds now have positive unrestricted net asset balances.



**City of Wayland**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

**General Fund budgetary highlights**

Actual revenues were \$59,786 more than budgeted primarily because revenues related to property taxes, inspection fees, and interest were all higher than expected.

The difference between the original budget and the final amended budget for expenditures was an increase of \$15,125, or less than 1 percent. General Fund expenditures were \$170,689 less than the amounts appropriated primarily because of an effort to reduce operating costs in the police and fire departments. These two departments make up the public safety function where expenditures were \$120,249 less than appropriated.

These variances resulted in a \$230,475 positive budget variance, and a \$272,782 increase in fund balance compared to a budgeted increase of \$42,307.

**Capital assets and debt administration**

*Capital assets.*

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$13,787,337 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, street infrastructure, police and fire equipment, buildings, and sewer and water facilities. The net decrease in the City's net investment in capital assets for the current fiscal year was \$632,279.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Infrastructure	\$ 6,048,308	\$ 5,092,416	\$ 11,140,724
Buildings and improvements	754,324	-	754,324
Furniture, equipment, and vehicles	856,136	-	856,136
Land	<u>716,423</u>	<u>319,730</u>	<u>1,036,153</u>
Totals	<u>\$ 8,375,191</u>	<u>\$ 5,412,146</u>	<u>\$ 13,787,337</u>

Major capital asset events during the current fiscal year included the following:

- Sidewalk project amounting to \$66,260.
- Governmental infrastructure improvements, including a pavement improvement project totaling \$134,156 and sidewalk improvements amounting to \$66,260.
- Acquisition of a dump truck for \$98,147 that was financed by an installment purchase agreement.
- Purchase of a police car for \$18,880.
- Other equipment purchases totaling \$40,121.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

**City of Wayland**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

*Long-term debt.*

At the end of the fiscal year, the City had total long-term debt outstanding in the amount of \$4,183,788 which represents a decrease of \$420,261 or 9 percent. Of this amount, \$4,147,788 comprises debt backed by the full faith and credit of the City. Another \$36,000 represents bonds secured solely by specific revenue sources (i.e., revenue bonds).

State statutes limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property. The City's total general obligation debt (\$4,183,788) is significantly lower than the current state-imposed limit of \$10,244,390.

Other long-term debt obligations totaling \$46,324 represent accrued compensated absences.

More detailed information about the City's long-term obligations is presented in Note 7 of the notes to the basic financial statements.

**Economic condition and outlook**

The City of Wayland (2000 census-population of 3939) is primarily a residential community located in Allegan County, Michigan. The City's proximity to the Grand Rapids Metropolitan Area and several major roadways, including US Highway 131, has helped spur recent residential and commercial development. Wayland, like most communities in Michigan, is experiencing the effects of a slow economy. However, the City has seen some positive movement. Steps are being taken to enhance the marketability of the City's industrial park property through platting. The City maintains a close working relationship with real estate agents to meet the demands of the real estate market. In addition, new businesses are occupying previously vacant property and they have added new value to those properties, as well as tax revenues.

The City has taken steps to ensure financial stability, health, and long-term viability. The City's sewer and water funds have been in a deficit condition for several fiscal years, which has strained resources and limited long-term financial planning. The City has taken the necessary steps to correct these past deficits by increasing billing rates after a thorough rate study. The City has adopted a balanced budget for the year ending June 30, 2009.

**Contacting the City's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Deborah Nier, Manager  
City of Wayland  
103 South Main Street  
Wayland, MI 49348

Phone: (269) 792-2265  
E-mail: [nierd@cityofwayland.com](mailto:nierd@cityofwayland.com)

## INDEPENDENT AUDITORS' REPORT

City Council  
City of Wayland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the City's financial statements, as listed in the contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and the schedule of funding progress, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall A.C.*

October 23, 2008

## **BASIC FINANCIAL STATEMENTS**

City of Wayland  
**STATEMENT OF NET ASSETS**  
June 30, 2008

	Primary Government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,234,736	\$ 27,867	\$ 1,262,603	\$ 164,825
Receivables	201,230	213,423	414,653	-
Internal balances	134,088	(134,088)	-	-
Prepaid expense	6,000	-	6,000	-
Total current assets	1,576,054	107,202	1,683,256	164,825
Noncurrent assets:				
Unamortized bond issuance costs	-	24,761	24,761	-
Receivables	40,963	-	40,963	-
Land	716,423	319,730	1,036,153	-
Depreciable capital assets, net	7,658,768	5,092,416	12,751,184	-
Total noncurrent assets	8,416,154	5,436,907	13,853,061	-
Total assets	9,992,208	5,544,109	15,536,317	164,825
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	102,361	48,790	151,151	5,272
Bonds, notes, and loans payable	228,466	192,946	421,412	-
Total current liabilities	330,827	241,736	572,563	5,272
Noncurrent liabilities:				
Compensated absences	26,742	19,582	46,324	-
Bonds, notes, and loans payable	1,233,162	2,529,214	3,762,376	-
Total noncurrent liabilities	1,259,904	2,548,796	3,808,700	-
Total liabilities	1,590,731	2,790,532	4,381,263	5,272
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,913,563	2,689,986	9,603,549	-
Restricted for:				
Public safety	3,188	-	3,188	-
Public works	418,836	-	418,836	-
Community building and park improvements	540,814	-	540,814	-
Unrestricted	525,076	63,591	588,667	159,553
Total net assets	\$ 8,401,477	\$ 2,753,577	\$ 11,155,054	\$ 159,553

See notes to financial statements

**City of Wayland**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government:				
Governmental activities:				
Legislative	\$ 13,557	\$ -	\$ -	\$ -
General government	375,783	54,601	-	-
Public safety	866,116	54,630	172,577	-
Public works	1,292,783	6,920	362,143	7,402
Community and economic development	64,823	3,400	-	-
Health and welfare	6,000	-	-	-
Recreation and culture	22,393	-	-	4,228
Interest on long-term debt	32,164	-	-	-
Total governmental activities	<u>2,673,619</u>	<u>119,551</u>	<u>534,720</u>	<u>11,630</u>
Business-type activities:				
Sewer	555,149	548,151	-	10,463
Water	414,711	409,310	-	15,093
Total business-type activities	<u>969,860</u>	<u>957,461</u>	<u>-</u>	<u>25,556</u>
Total primary government	<u>\$ 3,643,479</u>	<u>\$ 1,077,012</u>	<u>\$ 534,720</u>	<u>\$ 37,186</u>
Component unit:				
Downtown Development Authority	<u>\$ 173,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property taxes  
State shared revenue  
Unrestricted interest income  
Franchise fees  
Other

Total general revenues

**Change in net assets**

**Net assets - beginning**

**Net assets - ending**



<i>Net (expenses) revenues and changes in net assets</i>			<i>Component</i>
<i>Primary government</i>			<i>unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
\$ (13,557)		\$ (13,557)	
(321,182)		(321,182)	
(638,909)		(638,909)	
(916,318)		(916,318)	
(61,423)		(61,423)	
(6,000)		(6,000)	
(18,165)		(18,165)	
(32,164)		(32,164)	
(2,007,718)		(2,007,718)	
	\$ 3,465	3,465	
	9,692	9,692	
-	13,157	13,157	
(2,007,718)	13,157	(1,994,561)	
			\$ (173,075)
1,432,267	-	1,432,267	253,042
386,016	-	386,016	-
80,201	-	80,201	9,383
29,697	5,821	35,518	-
7,366	-	7,366	-
1,935,547	5,821	1,941,368	262,425
(72,171)	18,978	(53,193)	89,350
8,473,648	2,734,599	11,208,247	70,203
\$ 8,401,477	\$ 2,753,577	\$ 11,155,054	\$ 159,553

See notes to financial statements

**City of Wayland**  
**BALANCE SHEET - governmental funds**  
June 30, 2008

	<u>General</u>	<u>Community Building and Park Improvement</u>
<b>ASSETS</b>		
Cash	\$ 151,416	\$ 543,815
Receivables	152,450	-
Due from other funds	63,987	-
Prepaid expenditures	<u>6,000</u>	<u>-</u>
Total assets	<u>\$ 373,853</u>	<u>\$ 543,815</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	<u>\$ 63,800</u>	<u>\$ 3,001</u>
Fund balances:		
Reserved for long-term receivables	-	-
Unreserved	310,053	540,814
Unreserved, reported in nonmajor special revenue funds	<u>-</u>	<u>-</u>
Total fund balances	<u>310,053</u>	<u>540,814</u>
Total liabilities and fund balances	<u>\$ 373,853</u>	<u>\$ 543,815</u>

Total fund balances - all governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Internal service funds are used by management to charge costs of equipment and vehicle management to individual funds. Assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net assets.

Compensated absence and accrued interest liabilities are not due and payable in the current period and are not reported in the funds.

Long-term debt is not due and payable in the current period and is not reported in the funds.

Net assets of *governmental activities* (page 5)

---

<i><b>Nonmajor governmental funds</b></i>	<i><b>Total governmental funds</b></i>
\$ 422,459	\$ 1,117,690
89,743	242,193
-	63,987
-	6,000

<u>\$ 512,202</u>	<u>\$ 1,429,870</u>
-------------------	---------------------

<u>\$ 6,865</u>	<u>\$ 73,666</u>
-----------------	------------------

47,963	47,963
-	850,867
<u>457,374</u>	<u>457,374</u>

<u>505,337</u>	<u>1,356,204</u>
----------------	------------------

<u>\$ 512,202</u>	<u>\$ 1,429,870</u>
-------------------	---------------------

	\$ 1,356,204
--	--------------

7,673,607

528,227

(43,204)

(1,113,357)

\$ 8,401,477

See notes to financial statements

*City of Wayland*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
governmental funds**

*Year ended June 30, 2008*

	<u>General</u>	<u>Community Building and Park Improvement</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Property taxes	\$ 1,432,267	\$ -	\$ -	\$ 1,432,267
Federal grants	7,402	-	-	7,402
State grants	386,016	-	269,859	655,875
Fines and forfeitures	10,761	-	-	10,761
Licenses and permits	73,566	-	-	73,566
Intergovernmental	171,290	-	93,571	264,861
Charges for services	37,101	-	-	37,101
Interest and rentals	68,189	15,164	12,606	95,959
Other	14,994	-	6,920	21,914
Total revenues	<u>2,201,586</u>	<u>15,164</u>	<u>382,956</u>	<u>2,599,706</u>
<b>EXPENDITURES</b>				
Legislative	13,557	-	-	13,557
General government	345,674	-	-	345,674
Public safety	891,732	-	482	892,214
Public works	427,909	-	401,456	829,365
Community and economic development	64,823	-	-	64,823
Health and welfare	6,000	-	-	6,000
Recreation and culture	-	15,282	-	15,282
Debt service:				
Principal	126,406	-	50,000	176,406
Interest	1,657	-	27,945	29,602
Capital outlay	51,046	1,064	-	52,110
Total expenditures	<u>1,928,804</u>	<u>16,346</u>	<u>479,883</u>	<u>2,425,033</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>272,782</u>	<u>(1,182)</u>	<u>(96,927)</u>	<u>174,673</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	45,000	45,000
Transfers out	-	-	(45,000)	(45,000)
Total financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*See notes to financial statements*

*City of Wayland*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
governmental funds (Continued)**

*Year ended June 30, 2008*

	<u>General</u>	<u>Community Building and Park Improvement</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 272,782	\$ (1,182)	\$ (96,927)	\$ 174,673
<b>FUND BALANCES - BEGINNING</b>	<u>37,271</u>	<u>541,996</u>	<u>602,264</u>	<u>1,181,531</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 310,053</u>	<u>\$ 540,814</u>	<u>\$ 505,337</u>	<u>\$ 1,356,204</u>

Net change in fund balances - total governmental funds \$ 174,673

Amounts reported for *governmental activities* in the statement of activities  
are different because:

Capital assets:

Assets acquired 240,537  
Provision for depreciation (721,962)

Long-term debt - principal repayments 176,406

Changes in other liabilities:

Net decrease in liability for compensated absences 533  
Net increase in accrued interest (2,562)

Changes in net assets of the internal service fund are reported  
with *governmental activities* in the statement of activities

60,204

Change in net assets of *governmental activities* (page 6)

\$ (72,171)

*See notes to financial statements*

**City of Wayland**  
**STATEMENT OF NET ASSETS - proprietary funds**  
June 30, 2008

	<b>Business-type activities</b>			<b>Governmental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 27,867	\$ -	\$ 27,867	\$ 117,046
Receivables	127,239	86,184	213,423	-
Total current assets	155,106	86,184	241,290	117,046
Noncurrent assets:				
Unamortized bond issuance costs	24,761	-	24,761	-
Land	275,730	44,000	319,730	-
Depreciable capital assets, net	4,027,611	1,064,805	5,092,416	701,584
Total noncurrent assets	4,328,102	1,108,805	5,436,907	701,584
Total assets	4,483,208	1,194,989	5,678,197	818,630
<b>LIABILITIES</b>				
Current liabilities:				
Payables	39,819	8,971	48,790	12,233
Due to other funds	-	63,987	63,987	-
Loan payable	10,212	20,734	30,946	78,541
Bonds payable	150,000	12,000	162,000	-
Total current liabilities	200,031	105,692	305,723	90,774
Noncurrent liabilities:				
Compensated absences	9,791	9,791	19,582	-
Revenue bonds payable	2,350,000	24,000	2,374,000	-
Loan payable	51,891	103,323	155,214	269,730
Total noncurrent liabilities	2,411,682	137,114	2,548,796	269,730
Total liabilities	2,611,713	242,806	2,854,519	360,504
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,741,238	948,748	2,689,986	353,313
Unrestricted	130,257	3,435	133,692	104,813
Total net assets	\$ 1,871,495	\$ 952,183	2,823,678	\$ 458,126

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. (70,101)

Net assets of *business-type activities* (page 5) \$ 2,753,577

See notes to financial statements

**City of Wayland**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary funds***  
Year ended June 30, 2008

	<b><i>Business-type activities</i></b>			<b><i>Governmental activities</i></b>
	<b><i>Enterprise funds</i></b>			<b><i>Internal service</i></b>
	<b><i>Sewer</i></b>	<b><i>Water</i></b>	<b><i>Totals</i></b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 548,151	\$ 409,310	\$ 957,461	\$ 297,609
<b>OPERATING EXPENSES</b>				
Sewer	314,005	-	314,005	-
Water	-	348,073	348,073	-
Cost of interfund services provided	-	-	-	133,591
Depreciation	121,812	65,976	187,788	85,203
Total operating expenses	435,817	414,049	849,866	218,794
<b>OPERATING INCOME (LOSS)</b>	112,334	(4,739)	107,595	78,815
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Connection and trunkage fees	10,463	15,093	25,556	-
Interest income	578	5,243	5,821	1,742
Interest expense	(121,497)	(3,652)	(125,149)	(15,198)
Total nonoperating revenues (expenses)	(110,456)	16,684	(93,772)	(13,456)
<b>CHANGE IN NET ASSETS</b>	1,878	11,945	13,823	65,359
<b>NET ASSETS - BEGINNING</b>	1,869,617	940,238	2,809,855	392,767
<b>NET ASSETS - ENDING</b>	\$ 1,871,495	\$ 952,183	\$ 2,823,678	\$ 458,126
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			5,155	
Change in net assets of <i>business-type activities</i> (page 6)			\$ 18,978	

See notes to financial statements

*City of Wayland*  
**STATEMENT OF CASH FLOWS - proprietary funds**  
*Year ended June 30, 2008*

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers/funds	\$ 524,754	\$ 416,367	\$ 941,121	\$ 297,609
Payments to suppliers	(206,727)	(205,111)	(411,838)	(98,114)
Payments to employees	(103,896)	(134,195)	(238,091)	(28,328)
Net cash provided by operating activities	214,131	77,061	291,192	171,167
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase in due to other funds	-	63,987	63,987	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Loan proceeds	-	-	-	98,162
Connection and trunkage fees	10,463	15,093	25,556	-
Acquisition of capital assets	-	(5,110)	(5,110)	(117,042)
Principal payments on capital debt	(136,141)	(151,806)	(287,947)	(54,070)
Interest payments on capital debt	(119,675)	(5,752)	(125,427)	(15,198)
Net cash used in capital and related financing activities	(245,353)	(147,575)	(392,928)	(88,148)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	578	5,243	5,821	1,742
<b>NET CHANGE IN CASH</b>	(30,644)	(1,284)	(31,928)	84,761
<b>CASH - BEGINNING</b>	58,511	1,284	59,795	32,285
<b>CASH - ENDING</b>	\$ 27,867	\$ -	\$ 27,867	\$ 117,046

*See notes to financial statements*



**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended June 30, 2008

	<u>Business-type activities</u>			<u>Governmental activities</u>
	<u>Enterprise funds</u>			<u>Internal service</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 112,334	\$ (4,739)	\$ 107,595	\$ 78,815
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	121,812	65,976	187,788	85,203
Changes in assets and liabilities:				
Receivables	(23,397)	7,057	(16,340)	-
Accounts payable	<u>3,382</u>	<u>8,767</u>	<u>12,149</u>	<u>7,149</u>
Net cash provided by operating activities	<u>\$ 214,131</u>	<u>\$ 77,061</u>	<u>\$ 291,192</u>	<u>\$ 171,167</u>

See notes to financial statements

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Wayland, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The component unit is reported in separate columns in the government-wide financial statements to emphasize it is legally separate from the City.

*Discretely presented component unit - Downtown Development Authority:*

This unit is presented in separate columns in the government-wide financial statements to emphasize that it is legally separate from the City. Separate financial statements of the component unit have not been issued as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit. The component unit's governing body is appointed by the City Council and its budget must be approved by the City Council.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Community Building and Park Improvement Fund accounts for the improvements to the City's community buildings and parks. Available resources were provided by a private donor.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the City's sewer system and treatment facilities.

The Water Fund accounts for the operation of the City's water mains and pumping facilities.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

The Agency Fund accounts for the collection and disbursement of property taxes for other governmental units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector standards.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets beginning July 1, 2003, as permitted by GASB Statement No. 34.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Streets	15 years
Sewer and water systems	50 years
Equipment	3 - 20 years

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*v) Compensated absences* - Vacation time is earned in varying amounts depending upon years of service. Employees may accumulate and carry over a maximum of twenty days. Upon retirement or termination, employees are paid for unused vacation time at their current rates. Employees are granted twelve paid personal days per year. Unused personal time does not accumulate, but a maximum of seven days' time is paid to the employee at the end of the first pay period of the following calendar year.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vii) Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 1, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the City Council is the function level. There were no budget variances at the function level during the current fiscal year.

**NOTE 3 - CASH:**

At June 30, 2008, cash is presented in the accompanying financial statements as follows:

Statement of net assets:	
Primary government	\$ 1,262,603
Component unit	<u>164,825</u>
Total cash	<u>\$ 1,427,428</u>

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 3 - CASH (Continued):

At June 30, 2008, cash consists of the following:

Cash on hand	\$ 275
Deposits with financial institutions	<u>1,427,153</u>
Total	<u>\$ 1,427,428</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of June 30, 2008, \$1,333,939 of the City's bank balances of \$1,439,966 was exposed to custodial credit risk because it was uninsured.

The City maintains pooled cash accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit.

The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

At June 30, 2008, the City's receivables are as follows:

	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Loans</u>	<u>Totals</u>
Governmental funds:				
General	\$ 29,697	\$ 122,753	\$ -	\$ 152,450
Nonmajor governmental	-	41,780	47,963	89,743
Total governmental funds	<u>\$ 29,697</u>	<u>\$ 164,533</u>	<u>\$ 47,963</u>	<u>\$ 242,193</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,963</u>	<u>\$ 40,963</u>
Proprietary funds:				
Sewer Fund	\$ 127,239	\$ -	\$ -	\$ 127,239
Water Fund	86,184	-	-	86,184
Total proprietary funds	<u>\$ 213,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,423</u>

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 716,423	\$ -	\$ -	\$ 716,423
Capital assets being depreciated:				
Buildings	982,641	-	-	982,641
Improvements	339,291	-	-	339,291
Furniture, fixtures and equipment	774,086	40,121	-	814,207
Vehicles	1,694,497	117,027	-	1,811,524
Infrastructure	13,069,441	200,416	-	13,269,857
Subtotal	<u>16,859,956</u>	<u>357,564</u>	<u>-</u>	<u>17,217,520</u>
Less accumulated depreciation for:				
Buildings	(310,132)	(22,089)	-	(332,221)
Improvements	(223,232)	(12,155)	-	(235,387)
Furniture, fixtures and equipment	(571,519)	(39,095)	-	(610,614)
Vehicles	(1,088,776)	(70,205)	-	(1,158,981)
Infrastructure	(6,557,928)	(663,621)	-	(7,221,549)
Subtotal	<u>(8,751,587)</u>	<u>(807,165)</u>	<u>-</u>	<u>(9,558,752)</u>
Total capital assets being depreciated, net	<u>8,108,369</u>	<u>(449,601)</u>	<u>-</u>	<u>7,658,768</u>
Governmental activities capital assets, net	<u>\$ 8,824,792</u>	<u>\$ (449,601)</u>	<u>\$ -</u>	<u>\$ 8,375,191</u>

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 319,730	\$ -	\$ -	\$ 319,730
Capital assets being depreciated:				
Sewer system	5,954,693	-	-	5,954,693
Water system	2,036,864	5,110	-	2,041,974
Subtotal	7,991,557	5,110	-	7,996,667
Less accumulated depreciation for:				
Sewer system	(1,805,270)	(121,812)	-	(1,927,082)
Water system	(911,193)	(65,976)	-	(977,169)
Subtotal	(2,716,463)	(187,788)	-	(2,904,251)
Total capital assets being depreciated, net	5,275,094	(182,678)	-	5,092,416
Business-type activities capital assets, net	\$ 5,594,824	\$ (182,678)	\$ -	\$ 5,412,146

Depreciation expense was charged to governmental functions of the City as follows:

<i>Governmental activities:</i>	
General government	\$ 29,735
Public safety	19,813
Public works	666,367
Recreation and culture	6,047
Internal Service Fund	85,203
Total governmental activities	<u>\$ 807,165</u>



**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - PAYABLES:**

At June 30, 2008, the payables of the City's funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:				
General	\$ 37,655	\$ 26,145	\$ -	\$ 63,800
Community Building and Park	3,001	-	-	3,001
Nonmajor governmental	6,865	-	-	6,865
Totals	<u>\$ 47,521</u>	<u>\$ 26,145</u>	<u>\$ -</u>	<u>\$ 73,666</u>
Proprietary funds:				
Sewer	\$ 7,352	\$ 13,258	\$ 29,000	\$ 49,610
Water	6,523	12,239	-	18,762
Internal Service	12,233	-	-	12,233
Totals	<u>\$ 26,108</u>	<u>\$ 25,497</u>	<u>\$ 29,000</u>	<u>\$ 80,605</u>

**NOTE 7 - LONG-TERM OBLIGATIONS:**

Long-term obligations at June 30, 2008, are comprised of the following individual issues:

*Governmental activities:*

Bonds, notes, and loan:

\$98,162 2007 installment purchase agreement - note payable in annual installments ranging from \$15,450 to \$20,678, plus interest at 4.47%; final payment due September 2012 \$ 98,162

\$69,900 2003 installment purchase agreement - note payable in semi-annual installments of \$4,325, including interest at 4.5%; final payment due June 2013 41,808

\$800,000 2001 Michigan Transportation Fund bonds - payable in annual installments of \$40,000 to \$80,000, plus interest at 4.0% to 5.30%; final payment due April 2016 515,000

\$545,408 2001 installment purchase agreement - note payable in annual installments of \$69,268, including interest at 4.6%; final payment due December 2011 250,109

\$1,237,017 Michigan Strategic Fund loan - payable in quarterly installments of \$30,946; final payment due June 2014 556,549

Total bonds, notes, and loan 1,461,628

Compensated absences 26,742

Total long-term obligations \$ 1,488,370

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - LONG-TERM OBLIGATIONS (Continued):**

Business-type activities:

Bonds, contracts, and loans:

\$325,000 1973 water improvement revenue bonds - payable in annual installments of \$12,000, plus interest at 5%; final payment due January 2011 \$ 36,000

\$1,550,000 1998 Allegan County sewer contract - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 3.9% to 6.9%; final payment due October 2020 1,250,000

\$1,575,000 1999 Allegan County sewer contract - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 4.9% to 5.625%; final payment due October 2020 1,250,000

\$412,983 Michigan Strategic Fund loan - payable in quarterly installments of \$8,706, including interest at 4%; final payment due June 2014 186,160

Total bonds, contracts, and loans 2,722,160

Compensated absences 19,582

Total long-term obligations \$ 2,741,742

Changes in long-term obligations for the year ended June 30, 2008, were as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
1998 installment purchase	\$ 30,129	\$ -	\$ 30,129	\$ -	\$ -
1998 MSF loan	649,387	-	92,838	556,549	92,838
2001 MTF bonds	565,000	-	50,000	515,000	50,000
2001 installment purchase	304,179	-	54,070	250,109	57,863
2003 installment purchase	45,247	-	3,439	41,808	7,087
2007 installment purchase	<u>-</u>	<u>98,162</u>	<u>-</u>	<u>98,162</u>	<u>20,678</u>
Total bonds and notes	1,593,942	98,162	230,476	1,461,628	228,466
Compensated absences	<u>27,275</u>	<u>28,654</u>	<u>29,187</u>	<u>26,742</u>	<u>-</u>
Total governmental activities	<u>\$ 1,621,217</u>	<u>\$ 126,816</u>	<u>\$ 259,663</u>	<u>\$ 1,488,370</u>	<u>\$ 228,466</u>

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - LONG-TERM OBLIGATIONS (Continued):**

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Business-type activities:					
1973 revenue bonds	\$ 48,000	\$ -	\$ 12,000	\$ 36,000	\$ 12,000
1993 G.O. bonds	120,000	-	120,000	-	-
1998 MSF loan	217,107	-	30,947	186,160	30,946
1998 contract payable	1,300,000	-	50,000	1,250,000	75,000
1999 contract payable	1,325,000	-	75,000	1,250,000	75,000
Total bonds and notes	3,010,107	-	287,947	2,722,160	192,946
Compensated absences	13,293	16,032	9,743	19,582	-
Total business-type activities	<u>\$ 3,023,400</u>	<u>\$ 16,032</u>	<u>\$ 297,690</u>	<u>\$ 2,741,742</u>	<u>\$ 192,946</u>

Debt service requirements at June 30, 2008, excluding compensated absences, were as follows:

<i>Year ended June 30:</i>	<i>Governmental activities</i>		<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2009	\$ 228,466	\$ 42,824	\$ 192,946	\$ 114,487
2010	236,431	36,686	192,946	107,137
2011	244,532	30,129	192,946	99,769
2012	244,728	24,553	180,946	99,169
2013	190,111	17,374	205,946	88,913
2014 - 2018	317,360	31,570	1,031,430	312,629
2019 - 2021	-	-	725,000	67,615
Totals	<u>\$ 1,461,628</u>	<u>\$ 183,136</u>	<u>\$ 2,722,160</u>	<u>\$ 889,719</u>

All debt is secured by the full faith and credit of the City.

**Conduit Debt Obligation:**

The City, through the Downtown Development Authority (the Authority), has issued tax incremental revenue bonds to provide financial assistance to a private-sector entity for the construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the private-sector entity. Neither the City, the State of Michigan, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2008, the outstanding balance on these bonds is \$260,000, with final payment due in April 2014.

Associated with this conduit debt is a commitment by the Authority to pay the private-sector entity 60% of the tax incremental revenue generated from this area for a period of fifteen years ending in fiscal year 2014.

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

Following is a summary of interfund balances as reported in the fund financial statements:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
General	<u>\$ 63,987</u>	Water	<u>\$ 63,987</u>

The amount due to the General Fund from the Water Fund represents short-term borrowing through the pooled checking account.

Following is a summary of interfund transfers as reported in the fund financial statements:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Nonmajor governmental - Local Street	<u>\$ 45,000</u>	Nonmajor governmental - Special Road	<u>\$ 45,000</u>

The transfer out of the Special Road Fund, a nonmajor governmental fund, represents support for street preservation costs recorded in the Local Street Fund in the current year.

**NOTE 9 - RISK MANAGEMENT:**

The City is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 10 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2008, follows:

Revenues	\$ 41,124
Expenses	<u>41,124</u>
Excess of revenues over expenses	<u>\$ -</u>

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 11 - DEFINED BENEFIT PENSION PLAN:**

*Plan description:*

The City's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

*Funding policy:*

Contribution rates for each participating employer and its covered employees are established and may be amended by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

For the year ended June 30, 2008, the City's annual pension cost of \$167,160 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information is as follows:

<u>Year ended June 30:</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2006	\$ 139,406	100%	-
2007	163,954	100%	-
2008	167,160	100%	-

**City of Wayland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued):

*Funded status and funding progress:*

The funded status of the plan as of December 31, 2007, the most recent actuarial date, is as follows:

<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
\$ 3,314,491	\$ 4,055,338	\$ 740,847	82%	\$836,291	89%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Certain other accounting policies and plan asset matters are discussed in greater detail in the City's actuarial valuation.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2008 that resulted in net asset restatements. Net assets as of July 1, 2007, included in the accompanying financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<i>Net Assets</i>	
	<i>Governmental Activities</i>	<i>Business-type Activities</i>
Beginning of year, as previously reported	\$ 8,398,392	\$ 2,809,855
Prior period adjustments:		
Understatement of internal balances	<u>75,256</u>	<u>(75,256)</u>
Beginning of year, as restated	<u>\$ 8,473,648</u>	<u>\$ 2,734,599</u>

NOTE 13 - CONTINGENCY:

In the normal course of its activities, the City becomes a party in various legal actions. The City is currently involved in a Michigan Tax Tribunal case, filed by a property owner, which could have a significant financial impact. Because the outcome of this lawsuit is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The City intends to vigorously defend its position in this appeal.

## REQUIRED SUPPLEMENTARY INFORMATION

**City of Wayland**

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,382,441	\$ 1,382,441	\$ 1,432,267	\$ 49,826
Federal grants	-	-	7,402	7,402
State grants	390,000	390,000	386,016	(3,984)
Fines and forfeitures	10,000	10,000	10,761	761
Licenses and permits	12,300	12,300	73,566	61,266
Intergovernmental	169,559	169,559	171,290	1,731
Charges for services	43,000	43,000	37,101	(5,899)
Interest and rentals	19,500	19,500	68,189	48,689
Other	115,000	115,000	14,994	(100,006)
<b>Total revenues</b>	<u>2,141,800</u>	<u>2,141,800</u>	<u>2,201,586</u>	<u>59,786</u>
<b>EXPENDITURES</b>				
Legislative - City Council	<u>19,220</u>	<u>19,220</u>	<u>13,557</u>	<u>5,663</u>
General government:				
Administration	293,933	322,244	288,732	33,512
Elections	15,549	15,549	11,255	4,294
Building maintenance	8,500	3,752	3,660	92
Assessor	<u>40,737</u>	<u>40,585</u>	<u>42,027</u>	<u>(1,442)</u>
<b>Total general government</b>	<u>358,719</u>	<u>382,130</u>	<u>345,674</u>	<u>36,456</u>
Public safety:				
Police department	636,026	633,378	593,246	40,132
Fire department	336,603	336,603	257,362	79,241
Inspections department	<u>42,000</u>	<u>42,000</u>	<u>41,124</u>	<u>876</u>
<b>Total public safety</b>	<u>1,014,629</u>	<u>1,011,981</u>	<u>891,732</u>	<u>120,249</u>
Public works	<u>399,959</u>	<u>429,901</u>	<u>427,909</u>	<u>1,992</u>
Community and economic development:				
Planning	30,000	37,136	37,136	-
Economic development	14,200	6,602	5,786	816
Community promotion	<u>21,439</u>	<u>21,901</u>	<u>21,901</u>	<u>-</u>
<b>Total community and     economic development</b>	<u>65,639</u>	<u>65,639</u>	<u>64,823</u>	<u>816</u>



**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2008

---

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Health and welfare - ambulance service	\$ 10,000	\$ 10,000	\$ 6,000	\$ 4,000
Debt service:				
Principal	95,431	126,407	126,406	1
Interest	36,924	1,657	1,657	-
Capital outlay	83,847	52,558	51,046	1,512
Total expenditures	2,084,368	2,099,493	1,928,804	170,689
<b>NET CHANGE IN FUND BALANCES</b>	57,432	42,307	272,782	230,475
<b>FUND BALANCES - BEGINNING</b>	37,271	37,271	37,271	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 94,703</u>	<u>\$ 79,578</u>	<u>\$ 310,053</u>	<u>\$ 230,475</u>

*City of Wayland*

**BUDGETARY COMPARISON SCHEDULE - Community Building and Park**

**Improvement Fund**

*Year ended June 30, 2008*

---

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 130,000	\$ 130,000	\$ -	\$ (130,000)
Interest	<u>28,074</u>	<u>28,074</u>	<u>15,164</u>	<u>(12,910)</u>
Total revenues	<u>158,074</u>	<u>158,074</u>	<u>15,164</u>	<u>(142,910)</u>
<b>EXPENDITURES</b>				
Recreation and culture	85,000	85,000	15,282	69,718
Capital outlay	<u>180,000</u>	<u>180,000</u>	<u>1,064</u>	<u>178,936</u>
Total expenditures	<u>265,000</u>	<u>265,000</u>	<u>16,346</u>	<u>248,654</u>
<b>NET CHANGE IN FUND BALANCES</b>	(106,926)	(106,926)	(1,182)	105,744
<b>FUND BALANCES - BEGINNING</b>	<u>541,996</u>	<u>541,996</u>	<u>541,996</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 435,070</u>	<u>\$ 435,070</u>	<u>\$ 540,814</u>	<u>\$ 105,744</u>

**City of Wayland**  
**SCHEDULE OF FUNDING PROGRESS**  
**Employee Retirement System**  
**(Municipal Employees' Retirement System of Michigan)**

<i>Actuarial valuation date December 31</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll ( c )</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
1998	\$ 1,143,518	\$ 1,988,122	\$ 844,604	58%	\$ 655,706	129%
1999	1,349,027	1,981,506	632,479	68%	674,859	94%
2000	1,543,950	2,261,206	717,256	68%	697,958	103%
2001	1,737,177	2,506,944	769,767	69%	739,370	104%
2002	1,900,050	2,768,933	868,883	69%	859,915	101%
2003	2,166,052	2,955,360	789,308	73%	824,641	96%
2004	2,416,105	3,366,470	950,365	72%	816,396	116%
2005	2,663,020	3,565,253	902,233	75%	807,456	112%
2006	2,971,707	3,844,847	873,140	77%	789,541	111%
2007	3,314,491	4,055,338	740,847	82%	836,291	89%

## SUPPLEMENTARY INFORMATION

*City of Wayland*

**COMBINING BALANCE SHEET - nonmajor governmental funds**

*June 30, 2008*

	<u>Special revenue</u>			
	<u>Major Street</u>	<u>Local Street</u>	<u>Special Road</u>	<u>Justice Training</u>
<b>ASSETS</b>				
Cash	\$ 87,768	\$ 14,238	\$ 281,887	\$ 3,188
Receivables	<u>31,761</u>	<u>10,019</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 119,529</u>	<u>\$ 24,257</u>	<u>\$ 281,887</u>	<u>\$ 3,188</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	<u>\$ 799</u>	<u>\$ 188</u>	<u>\$ 5,850</u>	<u>\$ -</u>
Fund balances:				
Reserved for long-term receivables	-	-	-	-
Unreserved, undesignated	<u>118,730</u>	<u>24,069</u>	<u>276,037</u>	<u>3,188</u>
Total fund balances	<u>118,730</u>	<u>24,069</u>	<u>276,037</u>	<u>3,188</u>
Total liabilities and fund balances	<u>\$ 119,529</u>	<u>\$ 24,257</u>	<u>\$ 281,887</u>	<u>\$ 3,188</u>

---

<u>Special revenue</u>		<u>Total nonmajor governmental funds</u>
<u>Wayland Housing Improvement</u>		
\$ 35,378	\$	422,459
47,963		89,743
<u>\$ 83,341</u>	<u>\$</u>	<u>512,202</u>
\$ 28	\$	6,865
47,963		47,963
35,350		457,374
<u>83,313</u>		<u>505,337</u>
<u>\$ 83,341</u>	<u>\$</u>	<u>512,202</u>

*City of Wayland*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - *nonmajor governmental funds***

*Year ended June 30, 2008*

	<u>Special revenue</u>			
	<u>Major Street</u>	<u>Local Street</u>	<u>Special Road</u>	<u>Justice Training</u>
<b>REVENUES</b>				
State grants	\$ 195,377	\$ 61,141	\$ 12,054	\$ 1,287
Contribution from local unit	-	-	93,571	-
Interest	2,737	654	6,077	70
Other	-	-	6,920	-
Total revenues	<u>198,114</u>	<u>61,795</u>	<u>118,622</u>	<u>1,357</u>
<b>EXPENDITURES</b>				
Public safety	-	-	-	482
Public works	159,516	161,290	74,842	-
Debt service:				
Principal	50,000	-	-	-
Interest and fees	27,945	-	-	-
Total expenditures	<u>237,461</u>	<u>161,290</u>	<u>74,842</u>	<u>482</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(39,347)</u>	<u>(99,495)</u>	<u>43,780</u>	<u>875</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	45,000	-	-
Transfers out	-	-	(45,000)	-
Total financing sources (uses)	<u>-</u>	<u>45,000</u>	<u>(45,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(39,347)</u>	<u>(54,495)</u>	<u>(1,220)</u>	<u>875</u>
<b>FUND BALANCES - BEGINNING</b>	<u>158,077</u>	<u>78,564</u>	<u>277,257</u>	<u>2,313</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 118,730</u>	<u>\$ 24,069</u>	<u>\$ 276,037</u>	<u>\$ 3,188</u>

---

<i><u>Special revenue</u></i>	<i><u>Total nonmajor governmental funds</u></i>
<i><u>Wayland Housing Improvement</u></i>	
\$ -	\$ 269,859
-	93,571
3,068	12,606
-	6,920
<u>3,068</u>	<u>382,956</u>
-	482
5,808	401,456
-	50,000
-	27,945
<u>5,808</u>	<u>479,883</u>
<u>(2,740)</u>	<u>(96,927)</u>
-	45,000
-	(45,000)
-	-
(2,740)	(96,927)
<u>86,053</u>	<u>602,264</u>
<u>\$ 83,313</u>	<u>\$ 505,337</u>



October 23, 2008

To the City Council  
City of Wayland

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland for the year ended June 30, 2008, and have issued our report thereon dated October 23, 2008. Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards***

As stated in our engagement letter dated July 9, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Wayland are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the City of Wayland during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the City's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Wayland's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the City of Wayland as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Wayland's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The City has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The City has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the City Council of the City of Wayland and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall A.C.*